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U.S. House of Representatives
Committee on Financial Services
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**Statement of Jonathan W. Knipe
before a Joint Hearing of
the Financial Services Committee's
Subcommittee on Capital Markets, Insurance and Government Sponsored
Enterprises
and the Subcommittee on Oversight and Investigations**

September 27, 2006

Introduction:

My name is Jonathan Knipe. I am General Counsel and Director of Business Affairs for World Trade Center Properties LLC, an affiliate of Silverstein Properties. Chairwoman Kelly and Chairman Baker -- thank you for holding this joint hearing today. I'd also like to thank the distinguished Members from New York for your continued hard work and support over the last several years as we have dealt with the various terrorism insurance concerns.

Background:

As most of you know, our companies leased the commercial office portions of the World Trade Center site from the Port Authority of New York and New Jersey just six weeks prior to September 11, 2001. Since that terrible day, our entire effort has been focused on rebuilding what was lost.



Last Thursday, September 21st, marked an extremely gratifying and long overdue milestone for those of us involved in the redevelopment of the World Trade Center. The business deal between Silverstein Properties and the Port Authority of New York and New Jersey was formally agreed upon and approved -- this means that the entire World Trade Center site -- with four exceptional skyscrapers designed by four of the most talented and renowned architects in the world -- should be rebuilt by 2012. These office towers will be a magnificent addition to the rebirth of Lower Manhattan -- creating vibrant retail and office space -- and joining the Santiago Calatrava-designed PATH Transportation Hub to make Lower Manhattan one of the more exceptional destinations in the world. The new skyline that will be created will be worthy of a new 21st century downtown, restoring New York City's historic birthplace. That, and the World Trade Center Memorial, will honor the memory of the heroes of the attacks of 9/11.

The redevelopment of the site will also have a substantial positive impact on the New York area economy. According to a report of the Lower Manhattan Development Corporation, "the rebuilding of the World Trade Center will generate \$15 billion in total economic output in New York City and an average of 8,000 jobs each year throughout the redevelopment process."

Now that Silverstein Properties and the Port Authority have designed the buildings and resolved our business issues -- and have the support of the City of New York, State of New York and State of New Jersey -- we need to face our other remaining challenges. Along those lines, the timing of this testimony is ideal because we face no single greater obstacle to our redevelopment efforts than the current lack of terrorism insurance capacity.

We are scheduled to begin construction on the three office buildings to be owned by our companies on January 1, 2008. As you all know, the extension to TRIA expires on December 31, 2007.

Capacity:

I am not an insurance expert, nor are most real estate developers. However, we have instructed our consultants and brokers to scour the markets and determine how we can secure adequate terrorism insurance for our buildings. The most recent information we have been given paints a very bleak picture. Even with the current TRIA extension in place, if we had to go out and buy a builders risk policy today, we are told that there is less than \$500 million dollars worth of coverage available in the entire Lower Manhattan market -- period. Our consultants have also informed us that they see no viable alternative beyond the traditional private market place -- and that without some sort of permanent, workable governmental backstop in place -- there will essentially be zero terrorism insurance capacity in downtown New York City at the end of 2007.



As you can imagine, this reality was staggering to us. Even more shocking to us was that our professionals told us that there is currently no identifiable insurance, reinsurance or capital markets solution that could finance the potential losses in the absence of a national framework.

Conclusion:

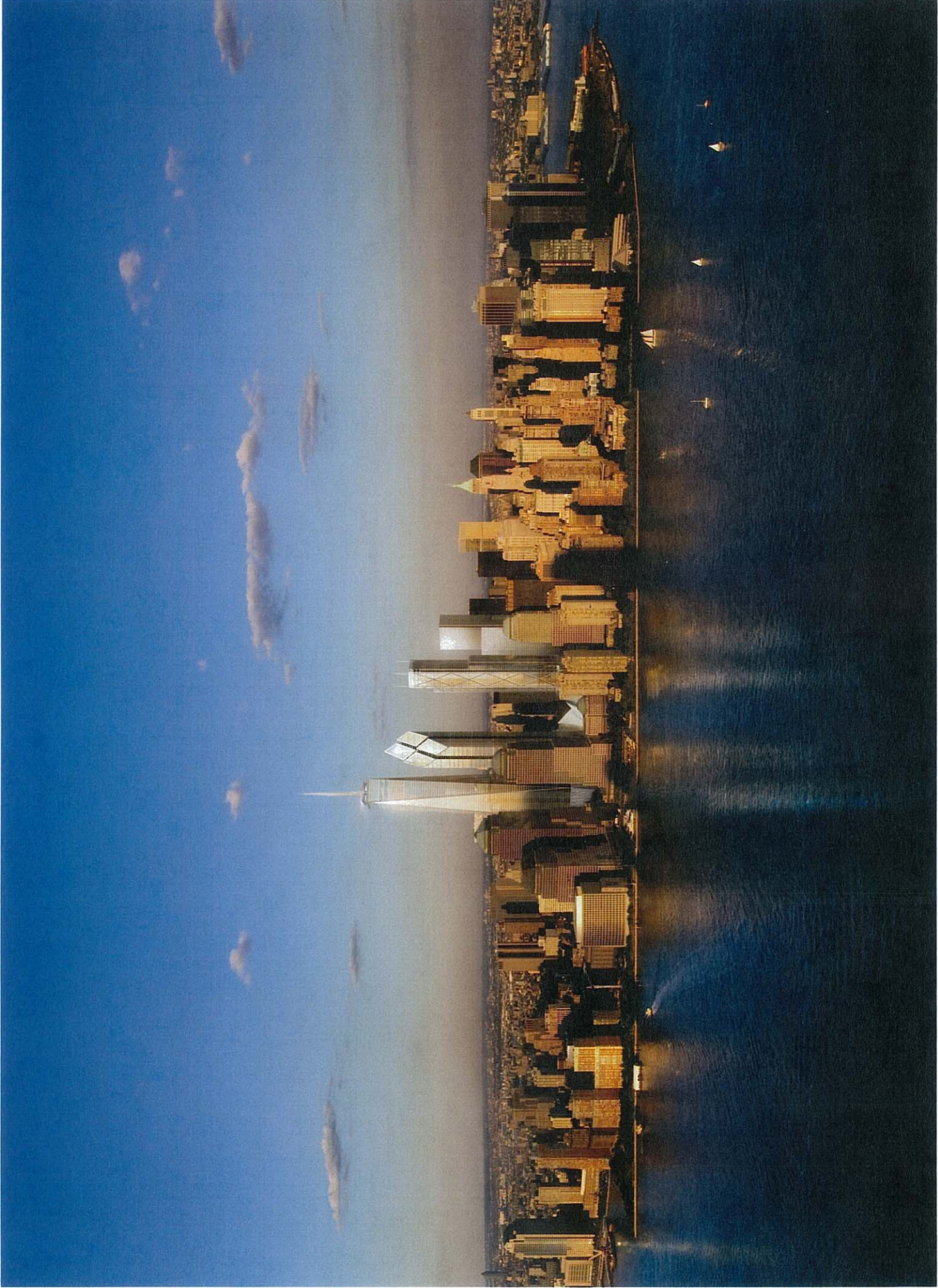
Unfortunately, we cannot finance office buildings that cost billions of dollars without adequate terrorism insurance coverage. While a substantial portion of the \$8 billion needed to rebuild the WTC will come from insurance proceeds, we will also need to obtain billions of dollars worth of financing in the form of Liberty Bonds. To obtain this financing, our lenders will require terrorism insurance.

According to our insurance professionals, it would not currently be possible, even with the TRIA extension in place -- to adequately insure even one of the four office buildings that will be constructed on the World Trade Center site. Unfortunately, this doesn't take into consideration that several other office buildings will be constructed nearby, lessening capacity even further. In order to assure that commercial development thrives in Lower Manhattan and, indeed, in all major urban centers, it is critical that the Government continue to work closely with the private sector and develop a permanent, workable solution.

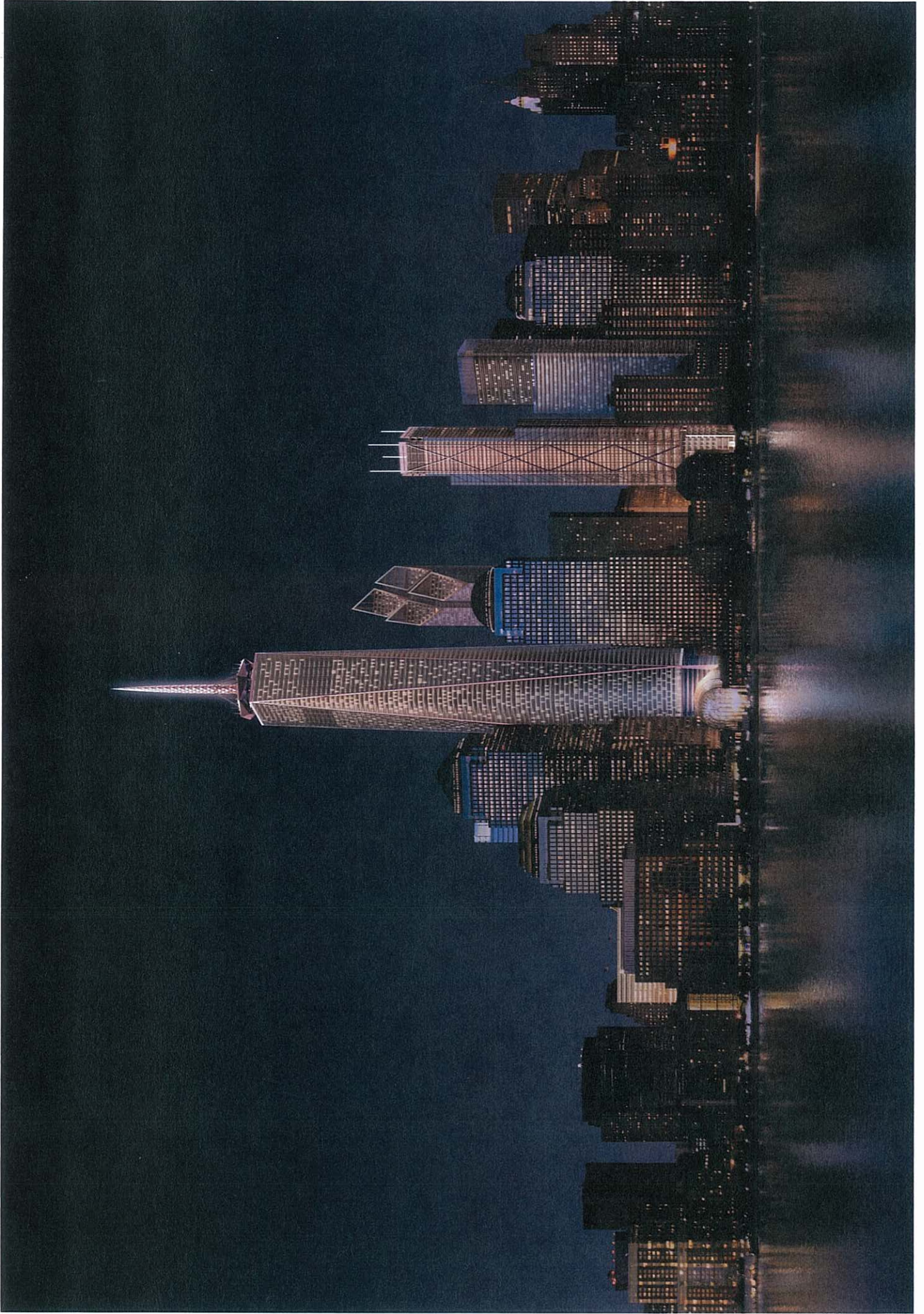
Otherwise, without such a permanent, workable solution -- and despite all of our collective hard work -- the redevelopment of the World Trade Center site will come to a grinding halt.

Thank you again for allowing us to participate today.

[See attached photos depicting the future of Downtown New York City]



The Future Skyline of Downtown New York



Night View of Downtown Skyline



Day View of the World Trade Center



Night View of the World Trade Center